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THE INSTITUTE OF INTERNATIONAL & EUROPEAN AFFAIRS – DUBLIN

“A YEAR OF CHANGE: RISKS AND OPPORTUNITIES FOR THE EUROPEAN PROJECT”

Ladies and Gentlemen,

Thank you for your invitation. I am delighted to be here today. And in particular at a time that is so important for our continent.

We are at a cross-roads, at a moment of great divide. Europe is dividing while another part of the world is gathering around the new silk roads.

In almost every European nation, two parts of society are facing each other: those who benefit from globalisation and those who are left-out.

This divide has one main consequence: the rise of nationalism and populism. It is true in Italy. It is true in France, where it is at the root of the “gilets jaunes” protests. It is true in the United-Kingdom where Brexit is the political translation of this social and economic divide.

If Europe is unable to reconcile these two parts of our societies, it is the end of the European project.

And if the European projects fails, then I believe that every one of our countries will fail. Because none of us will be able to compete alone against giants such as the United-States and China.

The EU has always known turmoil and upheavals. But the crisis it is now going through is deeper and more existential. But I believe that it is in times of great uncertainty that we make the best choices.

When it comes to Brexit, let me be clear: France and the EU have stood by Ireland over the last couple of years. You can continue to count on our full support and full solidarity– whatever the coming weeks and months bring.

We also need to be able to look ahead – past Brexit. Brexit is not the key question. The key question is the future of Europe. Now is the time to build a new European project. A sovereign, ambitious, and reassuring project for Europe and all Europeans. And I think we need to work on three key aspects to deliver that.

First – we need to reinforce our common currency.

When you look at the past, the two most important successes of the EU are the single market and the euro.

The euro has just turned 20. It is one of the biggest success of the EU. It has simplified trade for our businesses and life for our citizens. And it has strengthened us on the world stage. But we also know, and you in Ireland know that better than most, that the euro has its weaknesses. Much has been done since the crisis to remedy that but we’ve not finished the work.

For the eurozone to be a success for generations to come, our system needs to be more sustainable. We are not yet fully equipped, should we face a new financial or economic crisis. And our economies are diverging –a cause of concern for all. We cannot in the long run have a common currency and diverging economies.

That is why we want to deepen the Eurozone with the creation of a Eurozone budget aimed at improving both convergence and competitiveness. The principle of this budgetary instrument for the Eurozone was agreed last December. Now we need to agree on the modalities for the budget to become a reality in 2021. This will be a new decisive phase for our economic and monetary union.

We will start the process of discussing and agreeing together priorities for public investment and competitiveness: it makes a lot of sense when you are part of one economic area sharing a currency. The budget will also help us boost our resilience against crises and bounce back more quickly. And ensure the euro is a stable global reference currency. I know Ireland is keen that our monetary union is better prepared to weather new crises and challenges: we therefore hope and count on Ireland's support in the coming weeks.

Second – we need a European industrial strategy.

We must maintain strong industrial production in Europe. Otherwise, we will lose both essential jobs for our citizens and our technological sovereignty. And if we lose our technological sovereignty, we also lose our economic independence in the long run. A strong industry is essential for the future of our continent. This industrial strategy rests on three very simple ideas.

- **To pool our strengths**

We have to gather our industrial strengths to create industrial champions. Since Airbus, very few European industrial champion have emerged while Chinese, Indian or American champions are appearing every year.

One of the reasons behind is that European competition rules are outdated. We need to agree on a new set of rules, more in tune with the challenges facing us. It is a question of economic realities. The world economy is more brutal, faster than ever and less fair than what we had got used to in recent decades.

In the forthcoming European elections, we will campaign for a renewal of European competition law to take place in the next Commission. If we want Europe and our European companies to have all the tools to compete and succeed, we have to reinvent these rules for the 21st century.

- **To innovate** – for innovation is key to ensure our industry remains competitive.

That's why France has decided to create a 10 billion euro fund for disruptive innovation. And we hope that this fund will pave the way for a similar European fund. We all can have our own and separate funds at the national level – in France, in Ireland or in Germany. But then we won't be able to compete with the USA or China. If we want to fund innovation, we need to pool our funding.

It is also why we need a Capital Markets Union. It is critical to finance innovation. Why is there no European Google or Apple? It's not a matter of creativity or talent, it is a matter of access to finance above all. And today we're lagging behind our main rivals.

Let me remind you some interesting figures on venture capital financing in the world in 2018: 100 billion dollars in the United-States, 80 billion in China, 20 billion in Europe. We need to invest more to stay in the innovation race – on artificial intelligence, on space, on energy storage. The technologies of the future require massive investment. And we are not doing enough today.

But innovation isn't just a matter of financing. It is also a matter of smart industrial partnership. That is what we are doing with Germany and Poland on fourth generation batteries. And that is what we must do on artificial intelligence, perhaps even more importantly.

Europe was powerful in the twentieth century, because of its success in the nineteenth century industrial revolution. To be powerful in the twenty-first century, Europe must become a global leader on AI. And we have all the assets for that: top universities, engineers, data scientists and great innovation policies. It is now a matter of willingness and decisions.

If we remain divided on these issues, we will lose the global race.

- **To protect**

When you develop a new technology, it doesn't come for free. It requires billions of public and private investment and years of work. We cannot let these technologies be spied upon or simply stolen. France has reinforced its control over foreign investments in key sectors. And I am glad that Europe has recently voted for rules to also screen such third country investments in key sensitive areas. We must of course remain attractive to new foreign investments. It's the key reason we have carried out so many big reforms in France in the last year: to attract such foreign investment. But we also need to be less naïve and to be capable of protecting ourselves when national security is at stake.

Protecting our industry also means protecting our capacity to trade as we choose. Along with Britain and Germany, we have created a new financial vehicle called Instex. It will enable our SMEs to avoid unfair extra-territorial sanctions and to trade freely when it is legitimate to do so.

Third – we need to better fulfil the expectations of the Europeans

What are these expectations? More fairness. More solidarity. More protection. And a more inclusive and sustainable economic model. Or to put it more simply: they expect Europe to build a new model for capitalism.

An essential part of this new model is a fairer tax system. I'm well aware that even mentioning tax systems is a sensitive issue in Ireland but I am convinced we must discuss all these issues openly and in a friendly manner. And I respect the fact that taxation is above all an issue of national sovereignty but no country today lives in a hermetic bubble.

The first issue is digital taxation.

For years, you have been a hub for innovation. Digital champions have been attracted to Ireland where they could enjoy full access to Europe's single market and low tax rates. This has brought much to Ireland and to the Irish. But also at a price for other Europeans.

Citizens cannot accept that their personal data is used by digital giants who make enormous value from it without that value being properly taxed. Companies cannot accept paying 14 points more than digital giants when it comes to corporate tax. States cannot accept a situation where billions in tax are lost to tax optimization, thus limiting their ability to finance public goods including health and education.

We need to change the international tax system and adapt it to the realities of the 21st century.

Changing our approach to taxation is the only sustainable model. We all know that deep down. The prosperity of our nations and our citizens depends on all companies and individuals paying their fair share of tax. There is a growing consensus amongst countries on this. And even many digital companies have understood it is in their interest to change.

That is why Pascal Donohoe and I have agreed to work together and develop a joint position on these issues at the OECD level. This is a new position and it is good news. I will continue to promote the need for European level digital taxation and in coming days we will introduce legislation at a national level in France.

There is also another issue on the tax front: an effective level of minimal taxation for all businesses – since tax optimization is not the exclusive property of digital companies. France has made this issue its top priority for its G7 presidency in the economic field and push for it within the OECD framework. There will always be tax competition and some tax competition is healthy. But we need to put an end to tax evasion and excessively low tax jurisdictions. We hope we can count on Ireland's support on this issue.

A stronger currency, a stronger industry, a stronger response to our citizens' expectations – including the need for a new international tax system: these are the essential ingredients for a more positive the future of the EU.

If we fail, citizens will lose trust and turn their back on Europe. What we are experiencing with Brexit – which is such a tragedy for the UK, for Ireland and for all of Europe – could be repeated elsewhere.

Nothing is written and the best is still possible. But we have to act united. And to act now.
